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SENSITIVE
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DEPARTMENT FOR S/CIEA, ISN/NESS, EEB/ESC, EEB/CBA AND NEA/ARP
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SUBJECT: SCENESETTER FOR THE VISIT OF DOE DEPUTY SECRETARY PONEMAN

REF: ABU DHABI 1101

1. (U) Mission UAE looks forward to hosting Deputy Secretary of Energy Poneman's December 8-10 visit to Abu Dhabi. Reftel provided a separate classified scenesetter.

THE UAE AND THE BILATERAL RELATIONSHIP

2. (SBU) In the past five years, the United Arab Emirates has emerged as one of the economic powerhouses of the region and attained a commensurate level of political influence. The UAE has troops in Afghanistan, is an important political player in Pakistan, and its support is sought by leaders throughout the Middle East, and further afield. Although a tiny country, geographically and demographically, the UAE punches well above its weight class in international circles.

A COUNTRY BUILT ON OIL AND GAS

3. (SBU) Most of the UAE's development, particularly in the Emirate of Abu Dhabi, was funded by oil revenues. The hydrocarbon sector was developed years before the UAE was established (1971) and provide its population with a high standard of living. Today, Abu Dhabi - through state-owned Abu Dhabi National Oil Company (ADNOC) produces approximately 2.2 million barrels per day (mbpd) of oil although production capacity exceeds 2.6 mbpd. ADNOC is investing in increased production, largely through the application of advanced recovery technologies. Abu Dhabi's main export destinations are Japan and South Korea. ADNOC expects to offer new concessions in 2014 and 2018, potentially allowing U.S. companies to increase market share here.

4. (SBU) Although the UAE exports about 4 billion standard cubic feet a day (scfd), the UAE's gas deposits are largely associated and a significant portion of production is reinjected for enhanced oil recovery. The UAE has one large sour gas field, Shah, which is being developed by ADNOC and ConocoPhillips and could yield over 500 million scfd. Other projects are underway to expand existing gas production, however, much of this is expected to be used for reinjection. Domestic production is insufficient to power the UAE's rapid economic development. In 2001, the UAE (then as the UAE Offsets Group and now as Mubadala) entered into a long term gas deal with neighboring Qatar. Named Dolphin Energy, the project currently imports 2 billion scfd by a pipeline designed to deliver 3.2 billion scfd.

5. (SBU) In addition to its oil and gas production, Abu Dhabi-owned companies have also made significant investments in global energy assets. In addition to Dolphin, state-owned investment corporation Mubadala purchased Singapore's Pearl Energy and owns assets across the Middle East and North Africa. Government-owned International Petroleum Investment Corporation (IPIC) has made both domestic and international investments in refineries, pipelines, and other

production facilities. Abu Dhabi Energy Company ("Taqa") has purchased power facilities as far afield as Jamaica, invested in storage in Europe and owns domestic power assets.

...TURNS TO GREEN ENERGY

16. (SBU) In 2007, Abu Dhabi Emirate began a study of the UAE's long term electricity needs and determined that the UAE would be unable to produce enough gas or develop sufficient renewable capacity to meet growing demand. After dismissing oil and coal as environmentally unfriendly, Abu Dhabi determined that nuclear power would best serve the Emirate's long-term electricity needs. The UAE choose to publically renounce uranium enrichment and reprocessing (ENR). In addition to codifying this policy in the US-UAE 123 Agreement, which is expected to go into effort in late November, the UAE's nuclear law (# 6/2009) published in October also bans ENR. The law also established an independent regulator, the Federal Authority for Nuclear Regulation (FANR), which is headed by a former US NRC official (Bill Travers). The program has moved quickly toward awarding a tender for the UAE's first four nuclear power plants. There are three consortia bidding for the project: GE/Hitachi, Korea's KEPCO, and AREVA.

17. (SBU) Concurrently, Abu Dhabi is also investing heavily in renewable energy. The Government set a target to produce 7 percent of total electricity demand from renewable by 2020, an effort led by Masdar, the Abu Dhabi Future Energy Company, which is owned by Mubadala. Masdar (Arabic for "source") has four main divisions: Masdar Power, Masdar Carbon, Masdar Sustainable Cities and Masdar Institute. The first invests in renewable technologies, the second supports the reduction of carbon emissions, the third develops model

ABU DHABI 00001117 002 OF 002

zero-carbon, zero-waste cities, like Masdar City in Abu Dhabi, and the last promotes research, through a partnership with MIT. The selection of Abu Dhabi to host the new International Renewable Energy Agency (IRENA) in June 2009 is in part demonstrative of Masdar's success.

18. (SBU) Given Abu Dhabi's energy investments, protection of these investments is paramount. The Critical National Infrastructure Authority (CNIA) is responsible for this task, and seeks to rapidly develop appropriate expertise and implement advanced security solutions. CNIA has expressed renewed interest in greater cooperation with the United States Government, and is currently reviewing a draft agreement for critical energy infrastructure protection cooperation.

THE AGENDA

19. (SBU) U.S. firms are involved in almost all of the UAE's energy initiatives, either as consultants, exporters or innovators. However, we have only scratched the surface of USG collaboration opportunities. The President's Cairo speech highlighted the importance of greater science and technology cooperation with the Muslim world. Your visit presents a unique opportunity to explore UAE interest in such collaboration. Nuclear and renewable power officials are particularly interested in establishing closer relationships with the USG.

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